

**Subpart G—United States-Canada
Free Trade Agreement**

SOURCE: Sections 10.301 through 10.311 issued by T.D. 89–3, 53 FR 51766, Dec. 23, 1988, unless otherwise noted.

§ 10.301 Scope and applicability.

The provisions of §§10.302 through 10.311 of this part relate to the procedures for obtaining duty preferences on imported goods under the United States-Canada Free-Trade Agreement (the Agreement) entered into on January 2, 1988, and the United States-Canada Free-Trade Agreement Implementation Act of 1988 (102 Stat. 1851). The United States and Canada agreed to suspend operation of the Agreement with effect from January 1, 1994, to coincide with the entry into force of the North American Free Trade Agreement (see part 181 of this chapter) and, accordingly, the provisions of §§10.302 through 10.311 of this part apply only to goods imported from Canada that were entered for consumption, or withdrawn from warehouse for consumption, during the period January 1, 1989, through December 31, 1993. In situations involving goods subject to bilateral restrictions or prohibitions, or country of origin marking, other criteria for determining origin may be applicable pursuant to Article 407 of the Agreement.

[T.D. 96–35, 61 FR 19835, May 3, 1996]

§ 10.302 Eligibility criteria in general.

Subject to the more specific explanations of the criteria in §§10.303 and 10.305 of this part, goods classifiable under an HTSUS heading or subheading for which the symbol “CA” appears in the “special” column are eligible for a preference if:

(a) *Originating goods.* The goods originate in Canada or the United States, or both, and

(b) *Direct shipment required.* Except as provided in §10.306(b), are directly shipped to the United States from Canada.

§ 10.303 Originating goods.

(a) *General.* For purposes of eligibility for a preference under the Agree-

ment, goods may be regarded as originating goods if:

(1) *Wholly of Canadian or United States origin.* The goods are wholly obtained or produced in the Territory of Canada or the United States, or both, as set forth in General Note 3(c), HTSUS;

(2) *Transformed with a change in classification.* The goods have been transformed by a processing which results in a change in classification and, if required, a sufficient value-content, as set forth in General Note 3(c), HTSUS; or

(3) *Transformed without a change in classification.* An assembly of goods, other than goods of chapters 61 to 63 of the HTSUS, which does not result in a change in classification because the goods were imported in an unassembled or disassembled form and classified as the goods, unassembled or disassembled, pursuant to General Rule of Interpretation 2(a), HTSUS, or because the tariff subheading for the goods provides for both the goods themselves and their parts, shall nonetheless be treated as originating goods if:

(i) The value of originating materials and the direct cost of assembling in Canada or the United States, or both, as defined in §10.305 constitute not less than 50 percent of the value of the goods when exported to the United States;

(ii) The assembled goods are not subsequently processed or further assembled in a third country; and

(iii) The goods satisfy the requirement in §10.306.

(b) *Originating materials.* For purposes of this section and §10.305, the term “materials” means goods, other than those included as part of the direct cost of processing or assembling, used or consumed in the production of other goods, and the term “originating” when used with reference to such materials means that the materials satisfy one of the criteria for originating goods set forth in paragraph (a) of this section.

(c) *Change in classification.* For purposes of paragraph (a) of this section, the expression “change in classification” means a change of classification within the Harmonized Commodity Description and Coding System (Harmonized System) as published and